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DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION

BOATING LEASE NO. B-00-1

between

STATE OF HAWAII

and

LANAI COMPANY, INC.
covering

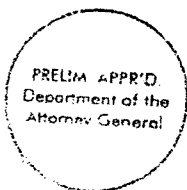


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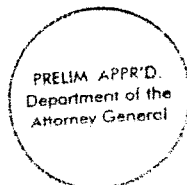
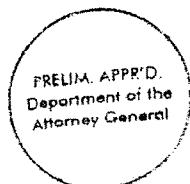
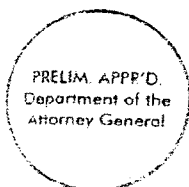


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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION

BOATING LEASE NO. B-00-1

THIS LEASE, made this ____ day of _____, 20__, by and between the STATE OF HAWAII, hereinafter referred to as the "Lessor," by its Board of Land and Natural Resources, called the "Board," and the LANAI COMPANY, INC., a Hawaii Corporation whose business address is Post Office Box 310, Lanai City, Hawaii 96763 hereinafter referred to as the "Lessee";

WITNESSETH:

The Lessor, pursuant to Section 171-53, Hawaii Revised Statutes, for and in consideration of the rent to be paid and of the terms, covenants and conditions herein contained, all on the part of the Lessee to be kept, observed and performed, does lease unto the Lessee, and the Lessee does lease from the Lessor the premises identified as approximately **28,625 square feet of submerged land** the same being a portion of land set aside by Governor's Executive Order Nos. 3111 and 2422, and further identified as a portion of **Tax Map Key No. (2) 4-9-17:06**, situated at the Manele Small Boat Harbor, Island of Lanai, County of Maui, Hawaii, more particularly described in Exhibit "B" and as shown on the map marked Exhibit "A". In addition, and in consideration of the terms, conditions and covenants herein contained, and on the part of the Lessee to be observed and performed, the Lessor does hereby grant unto the Lessee non-exclusive rights over, under and across that certain parcel of fast lands identified as approximately 21,527 square feet, the same being a portion of Governor's Executive Order No. 2141 and more particularly described in Exhibit "B" and shown on the map marked Exhibit "A" attached hereto and made a part hereof, (the "Easement Area") together with the rights of ingress and egress to and from the Easement Area for all purposes in connection with the rights hereby granted and more particularly described in paragraph 53.

TO HAVE AND TO HOLD the leased premises unto the Lessee for the term of **35 years, commencing on the ____ day of _____, 20__, up to and including the ____ day of _____, 20__**, unless sooner terminated as hereinafter provided, the Lessor reserving and the Lessee yielding and paying to the Lessor at the Office of the Department of Land and Natural Resources, Honolulu, Oahu, State of Hawaii, an annual rental as provided herein below, payable in advance, without notice or demand, in quarterly installments on the first day of January, April, July and October of each and every year during the term as follows:

A. Rental. For the first fifteen (15) years, commencing with the effective date of the lease, the Lessee shall pay the minimum annual rental of **FOUR-THOUSAND**

PRELIM. APPR'D
Department of the
Attorney General

ONE HUNDRED FORTY DOLLARS (\$4140.00) or FIFTEEN PERCENT 15% of the mooring fees received from the nineteen (19) boat slips under its leasing program, whichever is greater.

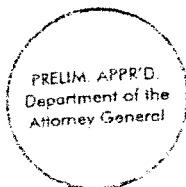
B. Rental Reopening.

1. Period. The minimum annual rental and the percentage of the mooring fees hereinabove reserved shall be reopened and redetermined as of the day following the expiration of the fifteen (15th) and the twenty-fifth (25th) years of the term.

2. Determination of rental upon reopening of the annual rental. The rental for any ensuing period shall be the fair market rental at the time of reopening. Except as provided herein, the provisions in Hawaii Revised Statutes, Chapter 658, shall be followed. At least six (6) months prior to the time of reopening, the fair market rental shall be determined by a staff appraiser, and the Lessee shall be promptly notified by certified mail, return receipt requested, of the fair market rental as determined by Lessor's appraiser; provided, that should the Lessee fail to notify Lessor in writing within thirty (30) days after receipt thereof that Lessee disagrees with the fair market rental as determined by Lessor's appraiser and that Lessee has appointed its own appraiser to prepare an independent appraisal report, then the fair market rental as determined by Lessor's appraiser shall be deemed to have been accepted by Lessee and shall be the fair market rental as of the date of reopening. If Lessee has notified Lessor and appointed his appraiser as stated hereinabove, Lessee's appraiser shall complete his appraisal and the two appraisers shall then exchange their reports within forty-five (45) days from the date of Lessee's appointment of the appraiser.

The two appraisers shall review each other's reports and make every effort to resolve whatever differences they may have. However, should differences still exist fourteen (14) days after the exchange, the two appraisers shall within seven (7) days thereafter appoint a third appraiser who shall also prepare an independent appraisal report based on the review of the two appraisal reports prepared and any other data. Copies thereof shall be furnished to the first two appraisers within forty-five (45) days of the appointment. Within twenty (20) days after receiving the third appraisal report, all three shall meet and determine the fair market rental in issue. The fair market rental as determined by a majority of the appraisers shall be final and binding upon both Lessor and Lessee, subject to vacation, modification or correction in accordance with the provisions of Sections 658-8 and 658-9, Hawaii Revised Statutes. Each party shall pay for its own appraiser and the cost of the services of the third appraiser shall be borne equally by the Lessor and the Lessee. All appraisal reports shall become part of the public record of the Lessor.

In the event that the appraisers are unable to determine the fair market rental before the reopening date, or by the foregoing prescribed time, whichever is later, the Lessee shall pay the fair market rental as determined by Lessor's new appraised value until the new rent is determined and the rental paid by Lessee shall then be subject to retroactive adjustments



as appropriate to reflect the fair market rental determined as set forth hereinabove. However, Lessee or Lessee's appraiser's failure to comply with the procedures set forth above shall constitute a waiver of Lessee's right to contest the new rent, and the Lessee shall pay the rent as determined by Lessor's appraiser without any retroactive adjustments. Alternatively, Lessor may treat this failure as a breach of this lease and terminate the lease.

C. Time and Method of Payment. The Lessee shall submit the amount by which the percentage rental for the quarterly gross mooring fees exceeds the quarterly fixed rental within thirty (30) days after the close of each quarter.

Rentals and statements shall be delivered and filed at the Division of Boating and Ocean Recreation Fiscal Office, Department of Land and Natural Resources, 1151 Punchbowl Street, Honolulu, HI 96813. The designated place of payment and filing may be changed at any time by Lessor upon ten (10) days advance written notice to the Lessee.

D. Interest; Service Charge. Without prejudice to any other remedy available to the Lessor, Lessee agrees without further notice or demand, as follows:

1. To pay interest at the rate of one percent (1%) per month, compounded monthly, on all delinquent payments;

2. To pay a service charge of TWENTY-FIVE AND NO/100 DOLLARS (\$25.00) per month for all delinquent payments, or such other charge as may be prescribed by rules adopted by the Lessor, provided that in no event shall a service charge in excess of \$50.00 be levied under this lease; and

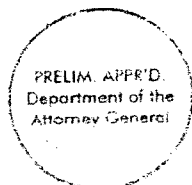
3. That the term "delinquent payments" as used herein means any payment of rent, fees, service charges or other charges payable by Lessee to Lessor, which are not paid when due.

The termination of this lease by the lapse of time or otherwise shall not relieve the Lessee of its obligation to any rentals, fees and charges accrued during a period in which this lease is in effect but which are unpaid at the time of such termination.

E. Lessee's Right to Terminate Lease. Lessee shall have the right, upon thirty (30) days written notice, to cancel and terminate this lease, should Lessee reasonably determine that it is not feasible to construct or operate Lessee's improvements to the Premises.

RESERVING UNTO THE LESSOR THE FOLLOWING:

1. Minerals and waters. (a) All minerals as hereinafter defined, in, on or under the premises and the right, on its own behalf or through persons authorized by it, to prospect for, mine and remove the minerals and to occupy and use so much of the surface of the ground as may be required for all purposes reasonably extending to the mining and removal



of the minerals by any means whatsoever, including strip mining. "Minerals," as used herein, shall mean any or all oil, gas, coal, phosphate, sodium, sulphur, iron, titanium, gold, silver, bauxite, bauxitic clay, diaspore, boehmite, laterite, gibbsite, alumina, all ores of aluminum and, without limitation thereon, all other mineral substances and ore deposits, whether solid, gaseous or liquid, including all geothermal resources, in, on, or under the land, fast or submerged; provided, that "minerals" shall not include sand, gravel, rock or other material suitable for use and used in general construction in furtherance of the Lessee's permitted activities on the premises and not for sale to others. (b) All surface and ground waters appurtenant to the premises and the right on its own behalf or through persons authorized by it, to capture, divert or impound the same and to occupy and use so much of the premises required in the exercise of this right reserved; provided, however, that as a condition precedent to the exercise by the Lessor of the rights reserved in this paragraph, just compensation shall be paid to the Lessee for any of Lessee's improvements taken.

2. Prehistoric and historic remains. All prehistoric and historic remains found on the premises.

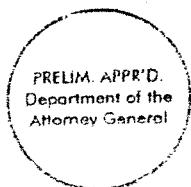
3. Ownership of improvements. The ownership of all improvements of whatever kind or nature, including but not limited to fences and landscaping located on the premises prior to or on the commencement date of this Lease, excluding those improvements constructed by Lessee during the term of this Lease unless provided otherwise.

THE LESSEE COVENANTS AND AGREES WITH THE LESSOR AS FOLLOWS:

1. Payment of rent. The Lessee shall pay the rent to the Lessor at the times, in the manner and form provided in this Lease and at the place specified above, or at any other place the Lessor may from time to time designate, in legal tender of the United States of America.

2. Taxes, assessments, etc. The Lessee shall pay or cause to be paid, when due, the amount of all taxes, rates, and assessments of every description as to which the premises or any part, or any improvements, or the Lessor or Lessee, are now or may be assessed or become liable by authority of law during the term of this lease; provided however, that with respect to any assessment made under any betterment or improvement law which may be payable in installments, Lessee shall be required to pay only those installments, together with interest, which becomes due and payable during the term.

3. Covenant against discrimination. The use and enjoyment of the premises shall not be in support of any policy which discriminates against anyone based upon race, creed, sex, color, national origin, religion, marital status, familial status, ancestry, physical handicap, disability, age or HIV (human immunodeficiency virus) infection.



4. Sanitation. The Lessee shall keep the premises and improvements in a strictly clean, sanitary and orderly condition.

5. Waste and unlawful, improper or offensive use of premises. The Lessee shall not commit, suffer or permit to be committed any waste, nuisance, strip or unlawful, improper or offensive use of the premises or any part, nor, without the prior written consent of the Lessor, cut down, remove or destroy, or suffer to be cut down, removed or destroyed, any trees now growing on the premises.

6. Compliance with laws. The Lessee shall comply with all of the requirements of all municipal, state, and federal authorities and observe all municipal, state and federal laws applicable to the premises, now in force or which may be in force.

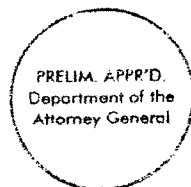
7. Inspection of premises. The Lessee shall permit the Lessor and its agents, at all reasonable times during the lease term, upon providing forty-eight (48) hours written notice to enter the premises and examine the state of its repair and condition.

8. Improvements. The Lessee shall not at any time during the term construct, place, maintain or install on the premises any building, structure or improvement of any kind and description except with the prior written approval of this department and upon those conditions the department may impose, including any adjustment of rent, unless otherwise provided in this lease. All proposed improvements, shall be submitted to this division, in sufficient detail, for review prior to approval. The Lessee shall own these improvements until the expiration or termination pursuant to a breach of the lease, at which time the ownership shall, at the option of the Lessor, remain and become the property of the Lessor or shall be removed by Lessee.

9. Repairs to improvements. The Lessee shall, at its own expense, keep, repair, and maintain all buildings and improvements now existing or hereafter constructed or installed on the premises in good order, condition and repair, reasonable wear and tear excepted. If any damage is sustained to the improvements either natural or accidental causes, the Lessee shall at its own expense, repair the damage and restore the improvements to their original conditions.

10. Liens. During the term of this lease, Lessee shall not commit or suffer any act or neglect which results in the premises, any improvement, or the leasehold estate of the Lessee becoming subject to any attachment, lien, charge, or encumbrance, except as provided in this lease, and shall indemnify, defend, and hold the Lessor harmless from and against all attachments, liens, charges, and encumbrances and all resulting expenses.

11. Character of use. The Lessee shall use or allow the premises leased to be used solely for the reclamation, development, construction, use maintenance and operation of berthing facilities and other ancillary facilities and improvements.

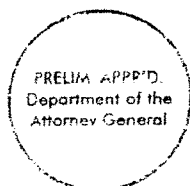


12. Assignments, etc. The Lessee shall not transfer, assign, or permit any other person to occupy or use the premises or any portion or transfer or assign this lease or any interest, either voluntarily or by operation of law, except by way of devise, bequest, or intestate succession, and any transfer or assignment made shall be null and void; provided that with the prior written approval of the Board the assignment and transfer of this lease or any portion may be made in accordance with current industry standards, as determined by the Board; provided, further, that prior to the approval of any assignment of lease, the Board shall have the right to review and approve the consideration paid by the Assignee and may condition its consent to the assignment of the lease on payment by the Lessee of a premium based on the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the straight-line depreciated cost of improvements and trade fixtures being transferred to the Assignee pursuant to the Assignment of Lease Evaluation Policy adopted by the Board on December 15, 1989, as amended, a copy of which is attached hereto as Exhibit "E". The premium on any subsequent assignments shall be based on the difference in the selling and purchase price plus the straight-line depreciated cost of any improvements constructed by the then Assignor, pursuant to the above-mentioned Evaluation Policy.

If the Lessee is a partnership, joint venture or corporation, the sale or transfer of 20% or more of ownership interest or stocks by dissolution, merger or any other means shall be deemed an assignment for purposes of this paragraph and subject to the right of the Lessor to impose the foregoing premium as set forth in Exhibit "E".

13. Subletting. The Lessee shall not rent or sublet the whole or any portion of the premises, except approximately nineteen (19) boat slips under its leasing program without the prior written approval of the Board; provided, however, that prior to this approval, the Board shall have the right to review and approve the rent to be charged to the proposed sublessee and that in the case where the Lessee is required to pay rent based on a percentage of its gross receipts, the receipts of the sublessee or any subsequent sublessees shall be included as part of the Lessee's gross receipts, and the Board shall have the right to revise the rent of the premises based upon the rental rate charged to the sublessee including the percentage rent, if applicable, and provided, further, that the rent may not be revised downward.

14. Indemnity. The Lessee shall indemnify, defend, and hold the Lessor harmless from and against any claim or demand for loss, liability, or damage, including claims for bodily injury, wrongful death, or property damage, arising out of or resulting from: 1) any act or omission on the part of Lessee relating to Lessee's use, occupancy, maintenance, or enjoyment of the premises; 2) any failure on the part of the Lessee to maintain the leased and easement area adjacent thereto in Lessee's use and control, and including any accident, fire or nuisance, growing out of or caused by any failure on the part of the Lessee to maintain the premises in a safe condition; and 3) from and against all actions, suits, damages, and claims by whomsoever brought or made by reason of the Lessee's non-observance or non-performance of



any of the terms, covenants, and conditions of this lease or the rules, regulations, ordinances, and laws of the federal, state, municipal or county governments.

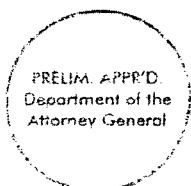
15. Costs of litigation. In case the Lessor shall, without any fault on its part, be made a party to any litigation commenced by or against the Lessee (other than condemnation proceedings), the Lessee shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on the Lessor; furthermore, the Lessee shall pay all costs, including reasonable attorney's fees, and expenses which may be incurred by or paid by the Lessor in enforcing the covenants and agreements of this lease, in recovering possession of the premises, or in the collection of delinquent rental, taxes, and any and all other charges.

16. Liability insurance. The Lessee shall procure and maintain, at its cost and expense and acceptable to the Lessor, in full force and effect throughout the term of this lease, commercial general liability insurance, in an amount of at least \$500,000.00 for each occurrence and \$1,000,000.00 aggregate, with an insurance company or companies licensed to do business in the State of Hawaii. The policy or policies of insurance shall name the State of Hawaii as an additional insured. The insurance shall cover the entire premises, including all buildings, improvements, and grounds.

The Lessee, prior to entry and use of the premises or within fifteen (15) days from the effective date of this lease, whichever is sooner, shall furnish the Lessor with a certificate(s) showing the policy(s) to be initially in force, keep the certificate(s) on deposit during the entire lease term, and furnish a like certificate(s) upon each renewal of the policy(s). This insurance shall not be cancelled, limited in scope of coverage, or non-renewed until after thirty (30) days written notice has been given to the Lessor.

The Lessor shall retain the right at any time to review the coverage, form, and amount of the insurance required by this lease. If, in the opinion of the Lessor, the insurance provisions in this lease do not provide adequate protection for the Lessor, the Lessor may require Lessee to obtain insurance sufficient in coverage, form, and amount to provide adequate protection. The Lessor's requirements shall be reasonable but shall be designed to assure protection for and against the kind and extent of the risks which exist at the time a change in insurance is required. The Lessor shall notify Lessee in writing of changes in the insurance requirements and Lessee shall deposit copies of acceptable insurance policy(s) or certificate(s) thereof, with the Lessor incorporating the changes within thirty (30) days of receipt of the notice.

The procuring of the required policy(s) of insurance shall not be construed to limit Lessee's liability under this lease nor to release or relieve the Lessee of the indemnification provisions and requirements of this lease. Notwithstanding the policy(s) of insurance, Lessee shall be obligated for the full and total amount of any damage, injury, or loss caused by Lessee's negligence or neglect connected with this lease.



It is agreed that any insurance maintained by the Lessor will apply in excess of, and not contribute with, insurance provided by Lessee's policy.

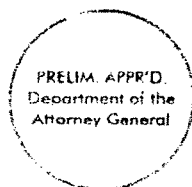
17. Performance bond. The Lessee shall, at its own cost and expense, within fifteen (15) days after the date of receipt of this lease document, procure and deposit with the Lessor and thereafter keep in full force and effect during the term of this lease a good and sufficient surety bond, conditioned upon the full and faithful observance and performance by Lessee of all the terms, conditions, and covenants of this lease, in an amount equal to two times the annual rental then payable. This bond shall provide that in case of a breach or default of any of the lease terms, covenants, conditions, and agreements, the full amount of the bond shall be paid to the Lessor as liquidated and ascertained damages and not as a penalty.

18. Lessor's lien. The Lessor shall have a lien on all the buildings and improvements placed on the premises by the Lessee, on all property kept or used on the premises, whether the same is exempt from execution or not and on the rents of all improvements and buildings located on the premises for all Lessor's costs, attorney's fees, rent reserved, for all taxes and assessments paid by the Lessor on behalf of the Lessee, and for the payment of all money provided in this lease to be paid by the Lessee, and this lien shall continue until the amounts due are paid.

19. Mortgage. Except as provided in this lease, the Lessee shall not mortgage, hypothecate, or pledge the premises, any portion, or any interest in this lease without the prior written approval of the Chairperson and any mortgage, hypothecation, or pledge without the approval shall be null and void.

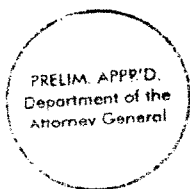
Upon due application and with the written consent of the Lessor, the Lessee may mortgage this lease, or any interest, or create a security interest in the leasehold of the public land. If the mortgage or security interest is to a recognized lending institution in either the State of Hawaii or elsewhere in the United States, the consent may extend to foreclosure and sale of Lessee's interest at the foreclosure to any purchaser, including the mortgagee, without regard to whether or not the purchaser is qualified to lease, own, or otherwise acquire and hold the land or any interest. The interest of the mortgagee or holder shall be freely assignable. The term "holder" shall include an insurer or guarantor of the obligation or condition of the mortgage, including the Department of Housing and Urban Development through the Federal Housing Administration, the Federal National Mortgage Association, the Veterans Administration, the Small Business Administration, Farmers Home Administration, or any other Federal agency and their respective successors and assigns or any lending institution authorized to do business in the State of Hawaii or elsewhere in the United States; provided, that the consent to mortgage to a non-governmental holder shall not confer any greater rights or powers in the holder than those which would be required by any of these Federal agencies.

20. Breach. Time is of the essence in this agreement and if the Lessee shall fail to pay the rent, or any part, at the times and in the manner provided within thirty (30) days



after delivery by the Lessor of a written notice of breach or default, or if the Lessee shall become bankrupt, or shall abandon the premises, or if this lease and premises shall be attached or taken by operation of law, or if any assignment is made of the Lessee's property for the benefit of creditors, or if Lessee shall fail to observe and perform any of the covenants, terms, and conditions contained in this lease and on its part to be observed and performed, and this failure shall continue for a period of more than sixty (60) days after delivery by the Lessor of a written notice of breach or default, by personal service, registered mail or certified mail to the Lessee at its last known address and to each mortgagee or holder of record having a security interest in the premises, the Lessor may, subject to the provisions of Section 171-21, Hawaii Revised Statutes, at once re-enter the premises, or any part, and upon or without the entry, at its option, terminate this lease without prejudice to any other remedy or right of action for arrears of rent or for any preceding or other breach of contract; and in the event of termination, at the option of the Lessor, all buildings and improvements shall remain and become the property of the Lessor or shall be removed by Lessee; furthermore, Lessor shall retain all rent paid in advance to be applied to any damages.

21. Right of holder of record of a security interest. In the event the Lessor seeks to forfeit the privilege, interest, or estate created by this lease, each recorded holder of a security interest may, at its option, cure or remedy the default or breach of rent payment within thirty (30) days or any other default or breach within sixty (60) days, from the date of receipt of the Lessor's notice, or within an additional period allowed by Lessor for good cause, and add the cost to the mortgage debt and the lien of the mortgage. Upon failure of the holder to exercise its option, the Lessor may: (a) pay to the holder from any moneys at its disposal, including the special land and development fund, the amount of the mortgage debt, together with interest and penalties, and secure an assignment of the debt and mortgage from the holder or if ownership of the privilege, interest, or estate shall have vested in the holder by way of foreclosure, or action in lieu thereof, the Lessor shall be entitled to the conveyance of the privilege, interest, or estate upon payment to the holder of the amount of the mortgage debt, including interest and penalties, and all reasonable expenses incurred by the holder in connection with the foreclosure and preservation of its security interest, less appropriate credits, including income received from the privilege, interest, or estate subsequent to the foreclosure; or (b) if the property cannot be reasonably reassigned without loss to the State, then terminate the outstanding privilege, interest, or estate without prejudice to any other right or remedy for arrears of rent or for any preceding or other breach or default and use its best efforts to redispense of the affected land to a qualified and responsible person free and clear of the mortgage and the debt secured; provided that a reasonable delay by the Lessor in instituting or prosecuting its rights or remedies shall not operate as a waiver of these rights or to deprive it of a remedy when it may still otherwise hope to resolve the problems created by the breach or default. The proceeds of any disposition shall be applied, first, to reimburse the Lessor for costs and expenses in connection with the disposition; second, to discharge in full any unpaid purchase price or other indebtedness owing the Lessor in connection with the privilege, interest, or estate terminated; third, to the mortgagee to the extent of the value received by the



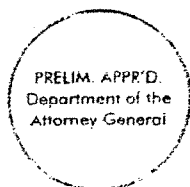
State upon redispotion which exceeds the fair market lease value of the land as previously determined by the State's appraiser; and fourth, to the owner of the privilege, interest, or estate.

22. Condemnation. If at any time, during the term of this lease, any portion of the premises should be condemned, or required for public purposes by any county or city and county, the rental shall be reduced in proportion to the value of the portion of the premises condemned. The Lessee shall be entitled to receive from the condemning authority (a) the value of growing crops, if any, which Lessee is not permitted to harvest and (b) the proportionate value of the Lessee's permanent improvements so taken in the proportion that it bears to the unexpired term of the lease; provided, that the Lessee may, in the alternative, remove and relocate its improvements to the remainder of the premises occupied by the Lessee. The Lessee shall not by reason of the condemnation be entitled to any claim against the Lessor for condemnation or indemnity for leasehold interest and all compensation payable or to be paid for or on account of the leasehold interest by reason of the condemnation shall be payable to and be the sole property of the Lessor. The foregoing rights of the Lessee shall not be exclusive of any other to which Lessee may be entitled by law. Where the portion taken renders the remainder unsuitable for the use or uses for which the premises were leased, the Lessee shall have the option to surrender this lease and be discharged and relieved from any further liability; provided, that Lessee may remove the permanent improvements constructed, erected and placed by it within any reasonable period allowed by the Lessor.

23. Right to enter. The Lessor or the County and their agents or representatives shall have the right to enter and cross any portion of the premises for the purpose of performing any public or official duties; provided, however, in the exercise of these rights, the Lessor or the County shall not interfere unreasonably with the Lessee or Lessee's use and enjoyment of the premises.

24. Inspection by prospective bidders. The Lessor shall have the right to authorize any person or persons to enter upon and inspect the premises at all reasonable times following a published notice for its proposed disposition for purposes of informing and apprising that person or persons of the condition of the lands preparatory to the proposed disposition; provided, however, that any entry and inspection shall be conducted during reasonable hours after notice to enter is first given to the Lessee, and shall, if the Lessee so requires, be made in the company of the Lessee or designated agents of the Lessee; provided, further, that no authorization shall be given more than two years before the expiration of the term of this lease.

25. Acceptance of rent not a waiver. The acceptance of rent by the Lessor shall not be deemed a waiver of any breach by the Lessee of any term, covenant, or condition of this lease, nor of the Lessor's right of re-entry for breach of covenant, nor of the Lessor's right to declare and enforce a forfeiture for any breach, and the failure of the Lessor to insist upon strict performance of any term, covenant, or condition, or to exercise any option



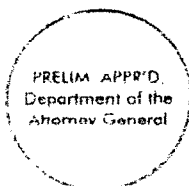
conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of any term, covenant, condition, or option.

26. Extension of time. Notwithstanding any provision contained in this lease, when applicable, the Board may for good cause shown, allow additional time beyond the time or times specified in this lease for the Lessee to comply, observe, and perform any of the lease terms, conditions, and covenants.

27. Justification of sureties. Any bonds required by this lease shall be supported by the obligation of a corporate surety organized for the purpose of being a surety and qualified to do business in the State of Hawaii, or by not less than two personal sureties, corporate or individual, for which justifications shall be filed as provided in Section 78-20, Hawaii Revised Statutes; provided, however, the Lessee may furnish a bond in like amount, conditioned as aforesaid, executed by it alone as obligor, if, in lieu of any surety or sureties, it shall also furnish and at all times thereafter keep and maintain on deposit with the Lessor security in certified checks, certificates of deposit (payable on demand or after a period the Lessor may stipulate), bonds, stocks or other negotiable securities properly endorsed, or execute and deliver to the Lessor a deed or deeds of trust of real property, all of a character which is satisfactory to Lessor and valued in the aggregate at not less than the principal amount of the bond. It is agreed that the value of any securities which may be accepted and at any time thereafter held by the Lessor shall be determined by the Lessor, and that the Lessee may, with the approval of the Lessor, exchange other securities or money for any of the deposited securities if in the judgment of the Lessor the substitute securities or money shall be at least equal in value to those withdrawn. It is further agreed that substitution of sureties or the substitution of a deposit of security for the obligation of a surety or sureties may be made by the Lessee, but only upon the written consent of the Lessor and that until this consent is granted, which shall be discretionary with the Lessor, no surety shall be released or relieved from any obligation.

28. Waiver, modification, reimposition of bond and liability insurance provisions. Upon substantial compliance by the Lessee of the terms, covenants, and conditions contained in this lease on its part to be observed or performed, the Lessor at its discretion may in writing, waive or suspend the performance bond and/or improvement bond requirements or may, in writing, modify the particular bond(s) or liability insurance requirements by reducing its amount; provided, however, that the Lessor reserves the right to reactivate the bonds or reimpose the bond(s) and/or liability insurance in and to their original tenor and form at any time throughout the term of this lease.

29. Quiet enjoyment. The Lessor covenants and agrees with the Lessee that upon payment of the rent at the times and in the manner provided and the observance and performance of these covenants, terms, and conditions on the part of the Lessee to be observed and performed, the Lessee shall and may have, hold, possess, and enjoy the premises for the



term of the lease, without hindrance or interruption by the Lessor or any other person or persons lawfully claiming by, through, or under it.

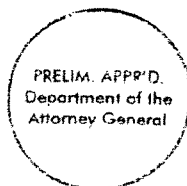
30. Surrender. The Lessee shall, at the end of the term or other sooner termination of this lease, peaceably deliver unto the Lessor possession of the premises in a clean and orderly condition, together with all improvements existing or constructed thereon or Lessee shall remove such improvements, at the option of the Lessor. Furthermore, upon the expiration, termination, and/or revocation of this lease, should the Lessee fail to remove any and all of Lessee's personal property from the premises, after notice thereof, the Board may remove any and all personal property from the premises and either deem the property abandoned and dispose of the property or place the property in storage at the cost and expense of Lessee, and the Lessee does agree to pay all costs and expenses for disposal, removal, or storage of the personal property. This provision shall survive the termination of the lease.

31. Non-warranty. The Lessor does not warrant the conditions of the premises, as the same are being leased as is.

32. Hazardous materials. Lessee shall not cause or permit the escape, disposal or release of any hazardous materials except as permitted by law. Lessee shall not store or use such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the premises any such materials except to use in the ordinary course of Lessee's business, and then only after written notice is given to Lessor of the identity of such materials and upon Lessor's consent which consent may be withheld at Lessor's sole and absolute discretion. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by Lessee, then the Lessee shall be responsible for the reasonable costs thereof. In addition, Lessee shall execute affidavits, representations and the like from time to time at Lessor's request concerning Lessee's best knowledge and belief regarding the presence of hazardous materials on the premises placed or released by Lessee.

Lessee agrees to indemnify, defend, and hold Lessor harmless, from any damages and claims resulting from Lessee's release of hazardous materials on the premises occurring while Lessee is in possession, or elsewhere if caused by Lessee or persons acting under Lessee during the term of this lease. These covenants shall survive the expiration or earlier termination of the lease.

For the purpose of this lease "hazardous material" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.



33. Force majeure. The Lessor and the Lessee covenant and agree with each other that neither party shall be deemed to be in default for the nonobservance or nonperformance of any covenant, obligation or undertaking required under this lease in the event that and as long as such observance or performance is prevented, delayed, or hindered by an act of God or public enemy, fire, earthquake, hurricane, floods, explosion, action of the elements, war or national defense preemptions. In the event of and delay arising by reason of any of the foregoing events, the time for performance of such covenant, obligation, or undertaking as provided for in this lease shall be extended for a period equal to the number of days of such delay, and the respective parties shall commence such observance or performance of the covenant, obligation or undertaking so delayed immediately after removal of the delaying cause. The Lessor further agrees that notwithstanding anything in this lease to the contrary, in the event that and as long as the premises or any portion thereof shall be unusable for the Lessee's purpose as herein provided by reason of damage or destruction by an act of God or public enemy, earthquake, hurricane, action of the elements, or war or national defense preemptions, the rent payable hereunder by the Lessee to the Lessor during the period the Lessee is unable to use the premises or any portion thereof shall be reduced in the proportion that the premises so rendered unusable shall bear to the area hereby; provided that, in case such damage or destruction shall by mutual agreement of the parties hereto be held to render more than half of the premises unfit for the purposes of the Lessee, the Lessee shall have the option to surrender this lease and be relieved of any further obligations hereunder, except those obligations that survive the expiration or earlier termination of the lease.

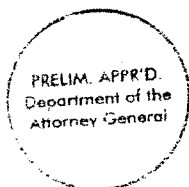
34. Hawaii law. This lease shall be construed, interpreted, and governed by the laws of the State of Hawaii.

35. Exhibits - Incorporation in lease. All exhibits referred to are attached to this lease and hereby are deemed incorporated by reference.

36. Headings. The article and paragraph headings herein are inserted only for convenience and reference and shall in no way define, describe or limit the scope or intent of any provision of this lease.

37. Partial invalidity. If any term, provision, covenant or condition of this lease should be held to be invalid, void or unenforceable, the remainder of this lease shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

38. Utility services. The Lessee, shall be responsible for obtaining any utility services, at its sole cost and expense and shall provide and maintain utilities, including conduits, mains and other facilities necessary to provide telephone, electrical and water services, area lighting and fire protection to the Premises. The Lessee shall pay when due all charges, duties, rates and assessment of every description including water, sewer, gas, refuse collection, CATV, electrical and telephone service or any other charges, as to which the



premises or any part thereof, or any improvements thereon that the Lessor or Lessee may become liable for during the term, whether assessed to or payable by the Lessor or Lessee.

SPECIAL CONDITIONS:

39. Time is of the essence. Time is of the essence in all provisions of this lease.

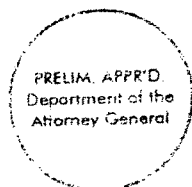
40. Archaeological sites. In the event any unanticipated sites or remains such as shell, bone or charcoal deposits, human burials, rock or coral alignments, pavings, or walls are found on the premises, the Lessee and the Lessee's agents, employees and representatives shall immediately stop all land utilization and/or work and contract the Historic Preservation Office in compliance with Chapter 6E, Hawaii Revised Statutes.

41. Full utilization of the land. The Lessee shall, within the first year of the lease term, utilize the land under lease for the purposes for which this lease is sold, all in accordance with a plan of development and utilization which shall be submitted by the Lessee within six (6) months of the lease commencement date for approval by the Chairperson. The Lessee shall not commence any improvement work prior to approval of the plan; provided, however, that should the Chairperson fail to render a decision either for or against the plan within sixty (60) days following receipt of the plan, the Lessee may proceed with the work.

42. Withdrawal. The Lessor shall have the right to withdraw the premises, or any portion, at any time during the term of this lease upon giving reasonable notice and with reasonable compensation for improvements in which its value would be amortized up to the date of withdrawal, except as otherwise provided in the lease, for public uses or purposes, including residential, commercial, industrial, or resort developments, for constructing new roads or extensions, or changes in line or grade of existing roads for rights of way and easements of all kinds and shall be subject to the right of the Board to remove soil, rock or gravel as may be necessary for the construction of roads and rights of way within or without the premises; provided, that upon the withdrawal, or upon the taking which causes any portion of the premises originally leased to become unusable for the specific use or uses for which it was leased, the rent shall be reduced in proportion to the value of the area withdrawn or made unusable, and any permanent improvement constructed upon the land by the Lessee is destroyed or made unusable in the process of the withdrawal or taking, the proportionate value shall be paid based upon the unexpired term of the lease.

43. Clearances. The Lessee shall be responsible for obtaining all necessary federal, state or county permits and clearances.

44. Fire and extended coverage insurance. The Lessee, at its cost and expense, shall procure and maintain at all times during the term of this lease, fire and extended coverage insurance with an insurance company(s) licensed to do business in the State of



Hawaii, insuring all buildings and improvements erected on the land leased in the joint names of Lessor and Lessee, with the standard mortgage clause for Mortgagee, if any, as their interest may appear, in an amount equal to the replacement cost of the facilities and shall pay the premiums at the time and place required under the policy.

In the event of total or partial loss, any proceeds derived from the policy(s) shall be used by the Lessee for rebuilding, repairing, or otherwise reinstating the same buildings in a good and substantial manner according to plans and specifications approved in writing by the Board; provided, however, that with the approval of the Lessor, the Lessee may surrender this lease and pay the balance owing on any mortgage and the Lessee shall then receive that portion of the proceeds which the unexpired term of this lease at the time of the loss or damage bears to the whole of the term, the Lessor to be paid the balance of the proceeds.

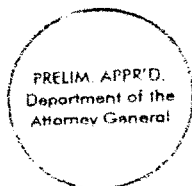
The Lessee shall furnish the Lessor on or before the commencement date of this lease, a certificate showing the policy(s) to be in full force and effect and shall furnish a like certificate upon each renewal of the policy(s). Each certificate(s) shall contain or be accompanied by an assurance of the insurer not to cancel the insurance, limit the scope of the coverage, or fail or refuse to renew the policy(s) until after thirty (30) days written notice has been given to the Lessor.

All rights or claims of subrogation against the State of Hawaii, its officers, employees, and agents are waived.

45. Easements. The Lessor reserves the right to establish or to sell or grant to others, easements required for maritime or utility purposes, provided that such easements shall not unreasonably interfere with the Lessee's use of the premises.

46. Signs. All exterior signs, installed or painted, advertising the business or activity conducted on the premises, shall be restricted to the appurtenant equipment or the improvements constructed by the Lessee. All signs installed or painted shall be done in good aesthetic taste and shall strictly conform to the sign ordinance of the County of Maui and shall be approved by Lessor.

47. Spillage and leakage. At all times during the term of this lease or at the termination, expiration, or cessation of the lease, the Lessee shall be solely responsible and liable for the clean-up of all fuel spillage and leakage caused by Lessee, and the removal of all hazardous or toxic waste or materials released onto the premises by Lessee at no cost to the Lessor. Any claim for fines or costs by the United States Coast Guard or any other municipal, state or federal agency and any costs for clean-up of harbor waters or premises, or the removal of hazardous or toxic waste or materials incurred as a result of the release of such materials by Lessee, shall be paid by Lessee.



48. Fire prevention. The Lessee shall comply with the fire protection standards as outlined by the National Fire Protection Association, Inc.'s edition of NFPA 303, Fire Prevention Standard for Marinas and Boatyards, and with the Uniform Fire Code, State of Hawaii, as may be amended. Compliance with the fire prevention standards shall be determined on an annual basis by an inspection of the County of Maui Fire Department. A report of the inspection shall be provided to the Lessor and shall be kept on file.

49. Sanitation; maintenance of premises. The Lessee at all times during the life of this lease shall:

(a) Keep and maintain all portions of the premises and improvements thereon in good repair and in a strictly clean, neat, orderly and sanitary condition, free of waste, rubbish and debris and other refuse;

(b) Keep and maintain all fixtures, equipment and personal property of the Lessee upon the premises in good condition and repair; and

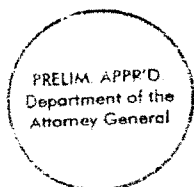
(c) In general, take the same care that would be taken by a reasonably prudent owner who desires to keep and maintain the premises so that at the expiration or sooner termination of this lease, the premises will be in as good a condition as that which existed at the commencement thereof, ordinary wear and tear excepted.

(d) Be responsible for any dredging required to maintain the original depths of the leased berthing area.

50. Option to require removal of improvements or additions. The Lessor with respect to any improvements or additions or any portions thereof constructed or installed by the Lessee on the premises, reserves the right after the date of termination or revocation of this lease to require the Lessee to remove the same at the Lessee's cost and risk within thirty (30) days after said termination or revocation. Upon failure of the Lessee to effect such removal within the specified time, the Lessor may effect such removal and restore the premises to a condition similar to that which existed immediately prior to the construction or installation of the improvements or additions by its own employees or by an independent contractor and assess the Lessee the total cost thereof.

51. Boat slip leasing provisions. The Lessee shall develop and build approximately twenty-four (24) slips as shown in Exhibit "D" and adopt terms and conditions for the leasing of approximately nineteen (19) slips not subject to dedication as set forth below ("Leasing Program"):

a. Dedicate five (5) slips to the State of Hawaii, the locations of which shall be determined by Lessee, without any compensation payable by the State ("Dedicated

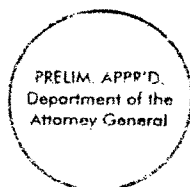


Slips"); provided that Lessee shall not be liable to pay lease rent to the State for the Dedicated Slips; and

b. Lessee shall develop and adopt terms and conditions for the leasing of slips not subject to dedication ("Leasing Program"). Seven (7) of these slips ("Reserved Slips") shall be reserved and made available to be offered to individuals on the waiting list compiled by the Department of Land and Natural Resources; Division of Boating and Ocean Recreation ("DOBOR") for slips at the Manele Bay Harbor determined as of the date the initial offer to lease is made to the person holding the highest priority ("Waiting List"). DOBOR shall offer the Reserved Slips to persons on its Waiting List according to priority and pursuant to its customary practice; subject, however, to the terms of Lessee's Leasing Program. Within 120 days from the date that the initial offer to lease was made to the person holding the highest priority on the Waiting List, DOBOR shall provide Lessee with a written list of names of the persons from its Waiting List who will lease the Reserved Slips ("Reservation List"), as well as a written certification that all persons on the Waiting List had been given an opportunity to lease one of the Reserved Slips and upon receiving said certification from DOBOR, or, if Lessee does not receive the Reservation List and Written certification from DOBOR within said 120 day time period, Lessee, in its discretion, may then lease any unleased Reserved Slips to any person pursuant to its Leasing Program; provided, however, that if any Reserved Slip shall subsequently become vacant at any time, the Reserved Slip shall be offered first to persons on DOBOR's Waiting List according to the procedures and terms set forth above such that there will always exist the opportunity to have seven (7) slips leased to those on DOBOR's Waiting List.

52. Additional improvements. The Lessee shall at its sole cost and expense construct, manage and maintain, the following improvements to the Manele Bay Harbor:

- a. Pave a 15' x 50' pad for a boat washdown area on the south side of the harbor by the boat launch ramp.
- b. Install a 100' x 2' walkable surface on the rock groin on the north side of the harbor adjacent to the Premise; and
- c. Provide and maintain utilities, including but not limited to conduits, mains and other facilities necessary to provide adequate telephone, electrical and water lines that Lessee will be bringing to the Premises, at such locations and in such manner as Lessee will designate; provided, however, that should Lessor require increased capacity for any of these utilities to provide services to the Manele Bay Harbor, any and all expenses related to the increased capacity shall be at the sole cost and expense of Lessor.



53. The non-exclusive easement area. For the purpose of accessing leased area, and within easement area construct, and maintain a paved parking lot, landscaped picnic area, and installing utilities to this area, more particularly described in Exhibit "C" (Exhibit "C" is for planning and depiction purposes only, is non - binding and subject to change.) and shall be subject to the following:

a. These easement rights shall cease, and terminate and the easement area shall automatically be forfeited to the Lessor, without any action on the part of the Lessor, in the event of non-use or abandonment by the Lessee of the easement area, or any portion thereof, for a consecutive period of one (1) year.

b. Should future development necessitate a relocation of the easement granted herein, or any portion of the easement granted herein, or any portion thereof, the relocation shall be accomplished at the Lessee's own cost and expense; provided, however, that if other lands of the Lessor are available, the Lessor will grant to the Lessee without payment of any money consideration, a substitute easement of similar width within the reasonable vicinity of the original alignment, which substitute easement shall be subject to the same terms and conditions as that herein granted and as required by law.

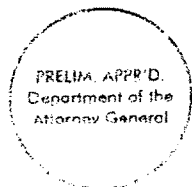
c. The Lessor reserves the right to withdraw the easement for public use or purposes, at any time during the term of this lease upon the giving of reasonable notice by the Lessor and Lessee shall be compensated for the depreciated value of the improvements if any, as determined by the Lessor.

d. The Lessee shall not construct, place or maintain any building or structure over and upon the easement area without the prior written consent from Lessor.

e. The public shall have access across the easement area at all times.

f. The Lessee shall comply with all applicable federal and state environmental impact regulations.

g. The Lessee shall maintain and employ debris, pollution and contamination control measures, safeguards and techniques to prevent debris, pollution or contamination to the ocean waters, streams or waterways resulting from the Lessee's, its invitee's, or its agent's use, maintenance, repair and operation of the easement area, and shall take immediate corrective action in the event of such pollution or contamination to immediately remove the cause of such pollution or contamination, and shall immediately clean the easement area and its surrounding waters of such pollutant or contaminant and restore to the Lessor's satisfaction the areas affected by such pollution or contamination, all at the Lessee's own cost and expense.



54. Audit and examination of books, etc. The Lessee shall, at all reasonable times, permit the Lessor and /or its authorized agents and employees, upon reasonable notice given by the Lessor, to audit, examine and to make copies of all books, accounts, records and receipts of the Lessee concerning its operations under this lease.

55. Commercial operations. The Lessee, its employees, customers, guests, agents and /or invitees shall not display or offer for sale or sell any article(s) or merchandise whatsoever within the premises without the prior written approval of the Lessor and upon such terms and conditions established by the Lessor. No commercial activities whatsoever shall be allowed within the premises without the prior written approval of the Lessor.

56. Abandoned vehicles. Lessee shall take all steps necessary to prevent the placing or storing of abandoned vehicles within the premises. Any and all abandoned vehicles within the premises shall be removed by Lessee at Lessee's cost and expense.

57. Environmental regulations. Lessee shall comply with all applicable federal, state and county environmental impact regulations, including but not limited to Chapter 343, Hawaii Revised Statutes, as amended, and regulations governing historic preservation.

58. Removal of trash. The Lessee shall be responsible for the removal of all illegally dumped trash upon the premises within ninety (90) days from the date of sale of the lease and shall so notify the Lessor in writing at the end of ninety (90) days.

59. Level one (1) hazardous waste evaluation. Prior to the termination of the subject general lease or the assignment of the leasehold, Lessee shall conduct a Level One (1) Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, satisfactory to the standards required by the Federal Environmental Protection Agency and the Department of Land and Natural Resources. The termination will not be approved by the Board of Land and Natural Resources unless this evaluation and abatement provision has been executed.

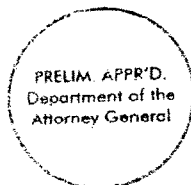
Definitions.

1. The use of any gender shall include all genders, and if there is more than one lessee, then all words used in the singular shall extend to and include the plural.

2. As used in this lease, unless clearly repugnant to the context:

(a) "Chairperson" means the Chairperson of the Board of Land and Natural Resources of the State of Hawaii or his successor.

(b) "Lessee" means and includes the Lessee, its officers, employees, invitees, successors or permitted assigns.

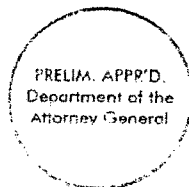


(c) "Holder of record of a security interest" means a person who is the owner or possessor of a security interest in the land leased and who has filed with the Department of Land and Natural Resources and with the Bureau of Conveyances of the State of Hawaii a copy of this interest.

(d) "Premises" means the land leased and all improvements now or hereinafter constructed and installed on the land leased.

(e) "Waste" includes, but is not limited to, (1) permitting the premises, or any portion, to become unduly eroded or failure to take proper precautions or make reasonable effort to prevent or correct the erosion; (2) permitting a substantial increase in noxious weeds in uncultivated portions of the premises; and (3) failure to employ all of the usable portions of the premises.

(f) "Days" shall mean calendar days, unless otherwise specified.



IN WITNESS WHEREOF, the STATE OF HAWAII, by its Board of Land and Natural Resources, has caused the seal of the Department of Land and Natural Resources to be hereunto affixed and the parties hereto have caused these presents to be executed the day, month and year first above written.

STATE OF HAWAII

Approved by the Board
of Land and Natural
Resources at its meeting
held on October 11, 1996.

By *Samuel E. Kaulo*
Chairperson and Member
Board of Land and
Natural Resources

LESSOR

Lanai Company, Inc., a Hawaii corporation

By *[Signature]*
Its PRESIDENT

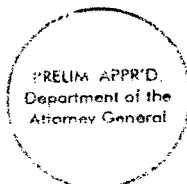
And by *[Signature]*
Its Vice President LESSEE

APPROVED AS TO FORM:

DWC

Deputy Attorney General

Dated: *[Signature]*



STATE OF HAWAII

COUNTY OF MAUI

)
) SS.
)

On this 15th day of August, 2000,

before me personally appeared PATRICK J. BIRMINGHAM

and VINCE G. BAGOYO, JR., to me personally

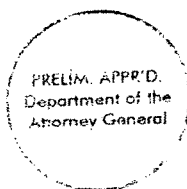
known, who, being by me duly sworn or affirmed, did say that such person(s)
executed the foregoing instrument as the free act and deed of such person(s),
and if applicable in the capacity shown, having been duly authorized to execute
such instrument in such capacity.

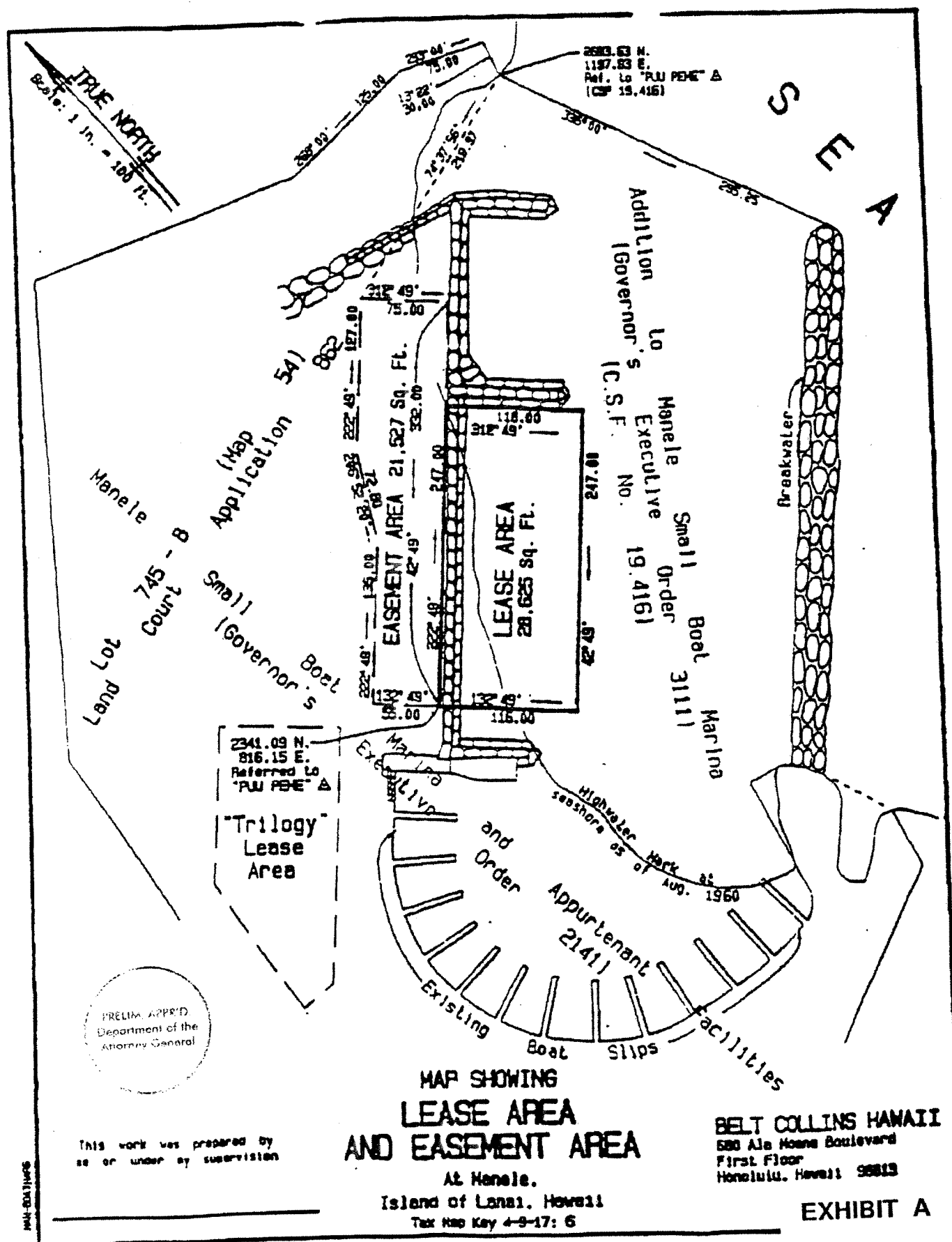


Notary Public, State of Hawaii

EYDIE M. T. TREUTLER

My commission expires: 12/19/2002





Description of Lease Area
at Manele Small Boat Marina

Being Portions of "Manele Small Boat Marina and Appurtenant Facilities"
(Governor's Executive Order 2141) (Lot 745-B of Land Court Application 862) and
"Addition to Manele Small Boat Marina" (Governor's Executive Order 3111)

Situated at Manele, Island of Lanai, Hawaii

Beginning at the North corner of this parcel of land, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUU PEHE" being 2,635.60 feet North and 986.79 feet East, thence running by azimuths measured clockwise from True South:

- | | | |
|----|--------------|--|
| 1. | 312° 49' | 75.00 feet along the remainders of Governor's Executive Order 2141 (Lot 745-B of Land Court Application 862) and Governor's Executive Order 3111; |
| 2. | 42° 49' | 85.00 feet along the remainder of Governor's Executive Order 3111; |
| 3. | 312° 49' | 116.00 feet along the remainder of Governor's Executive Order 3111; |
| 4. | 42° 49' | 247.00 feet along the remainder of Governor's Executive Order 3111; |
| 5. | 132° 49' | 171.00 feet along the remainders of Governor's Executive Order 3111 and Governor's Executive Order 2141 (Lot 745-B of Land Court Application 862); |
| 6. | 222° 49' | 135.00 feet along the remainder of Governor's Executive Order 2141 (Lot 745-B of Land Court Application 862); |
| 7. | 206° 52' 20" | 72.80 feet along the remainder of Governor's Executive Order 2141 (Lot 745-B of Land Court Application 862); |

SECTION DESCRIBED 070888

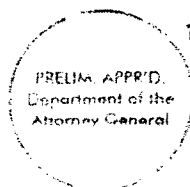


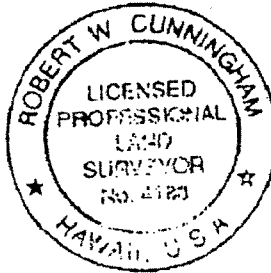
EXHIBIT B

8. 222° 49'

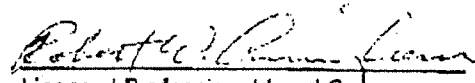
127.00 feet along the remainder of Governor's Executive Order 2141 (Lot 745-B of Land Court Application 862) to the point of beginning and containing an area of 50.152 square feet.

680 Ala Moana Boulevard
First Floor
Honolulu, Hawaii 96813

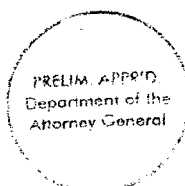
July 16, 1996

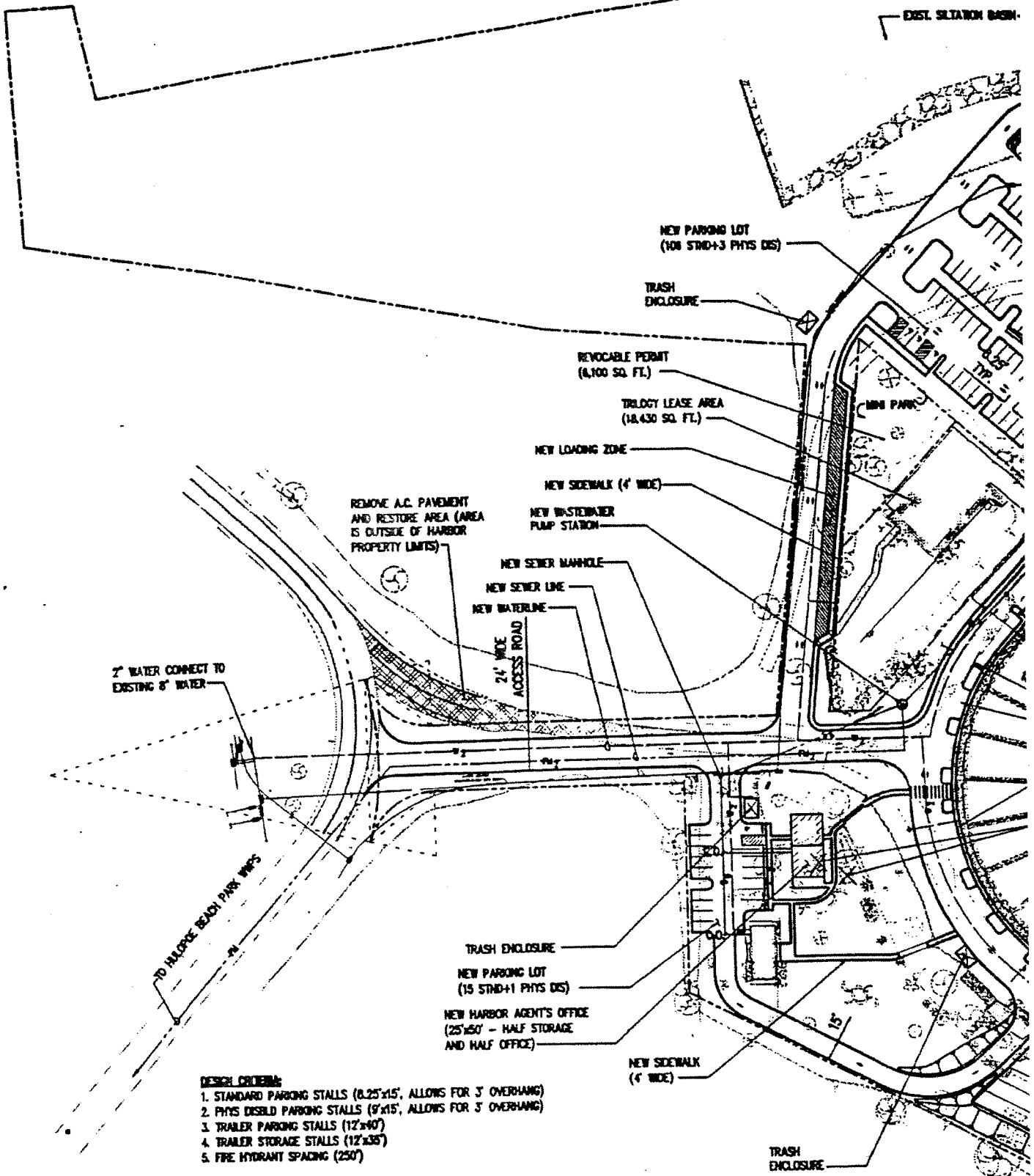


BELT COLLINS HAWAII LTD.



Licensed Professional Land Surveyor
Certificate Number 4188





DESIGN CRITERIA:

1. STANDARD PARKING STALLS (8.25'x15', ALLOWS FOR 3' OVERHANG)
2. PHYS DIESEL PARKING STALLS (9'x15', ALLOWS FOR 3' OVERHANG)
3. TRAILER PARKING STALLS (12'x40')
4. TRAILER STORAGE STALLS (12'x35')
5. FIRE HYDRANT SPACING (250')

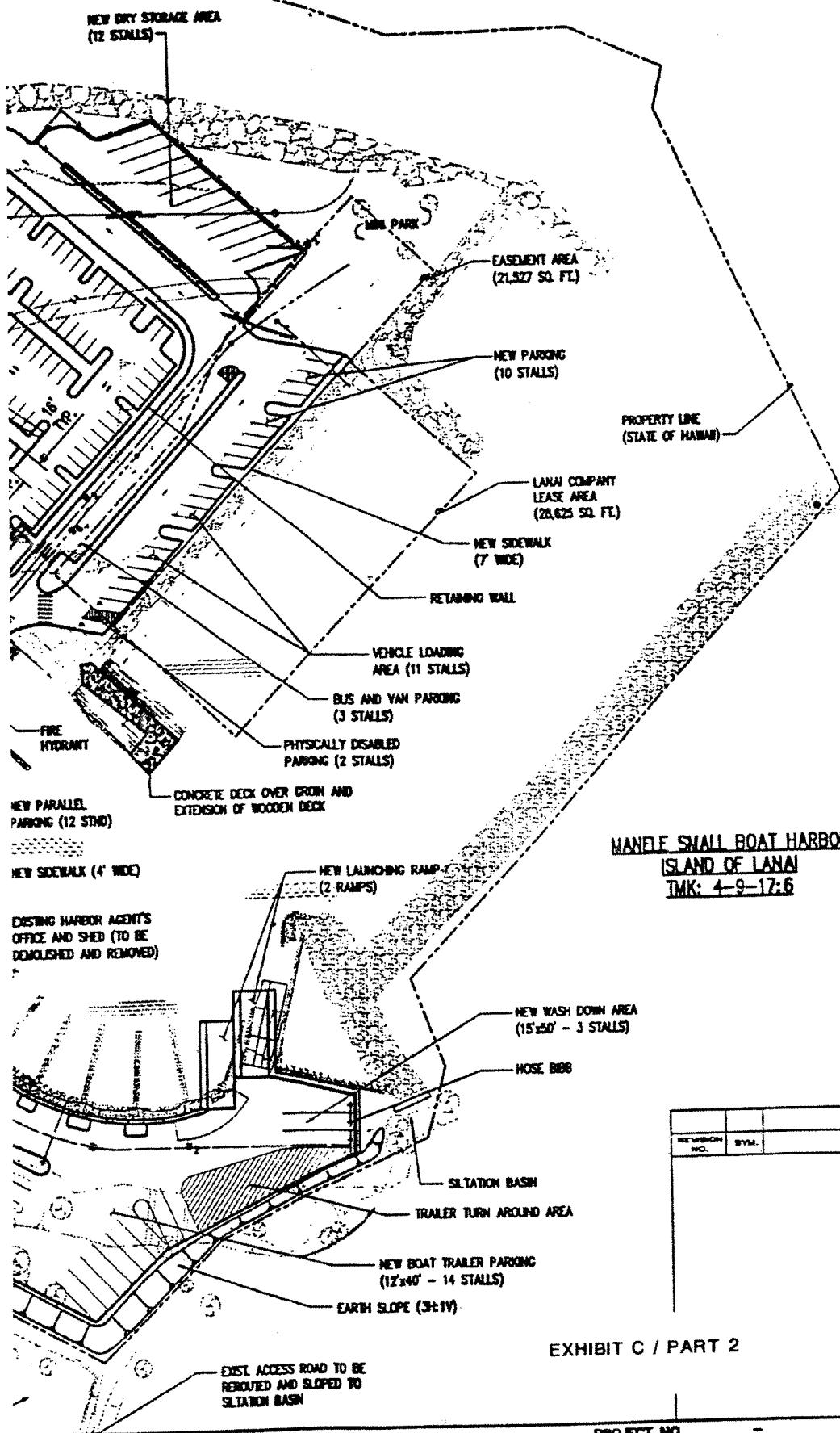
PARKING SUMMARY:

1. PASSENGER VEHICLES = 150 STALLS
2. PHYS DIESEL = 6 STALLS
3. TRAILER PARKING = 18 STALLS
4. TRAILER STORAGE = 12 STALLS
5. PASSENGER VEHICLE LOADING = 10 STALLS
6. BUS/VAN LOADING = 3 STALLS

EXHIBIT C / PART 1

PROPERTY LINE
(STATE OF HAWAII)

SITUATION BASIN



TRUE NORTH
SCALE: 1 IN. = 50 FT.

ABBREVIATIONS

MANELE SMALL BOAT HARBOR
ISLAND OF LANAI
TMK: 4-9-17:6

PRELIM. APPR'D.
Department of the
Attorney General

REVISION NO.	BY	DESCRIPTION	DATE	APPROVED
STATE OF HAWAII DEPARTMENT OF LAND AND NATURAL RESOURCES ENGINEERING BRANCH, LAND DIVISION				
DRAINAGE AND MASTER PLAN FOR MANELE SMALL BOAT HARBOR LANAI, HAWAII				
SITE PLAN				
DESIGNED:	CM	SUBMITTED:		
DRAWN:	CM	DATE:		
CHECKED:	WS	SCALE:	1" = 50'	
APPROVED:			DRAWING NO.	
CHIEF ENGINEER		DATE	C-1	

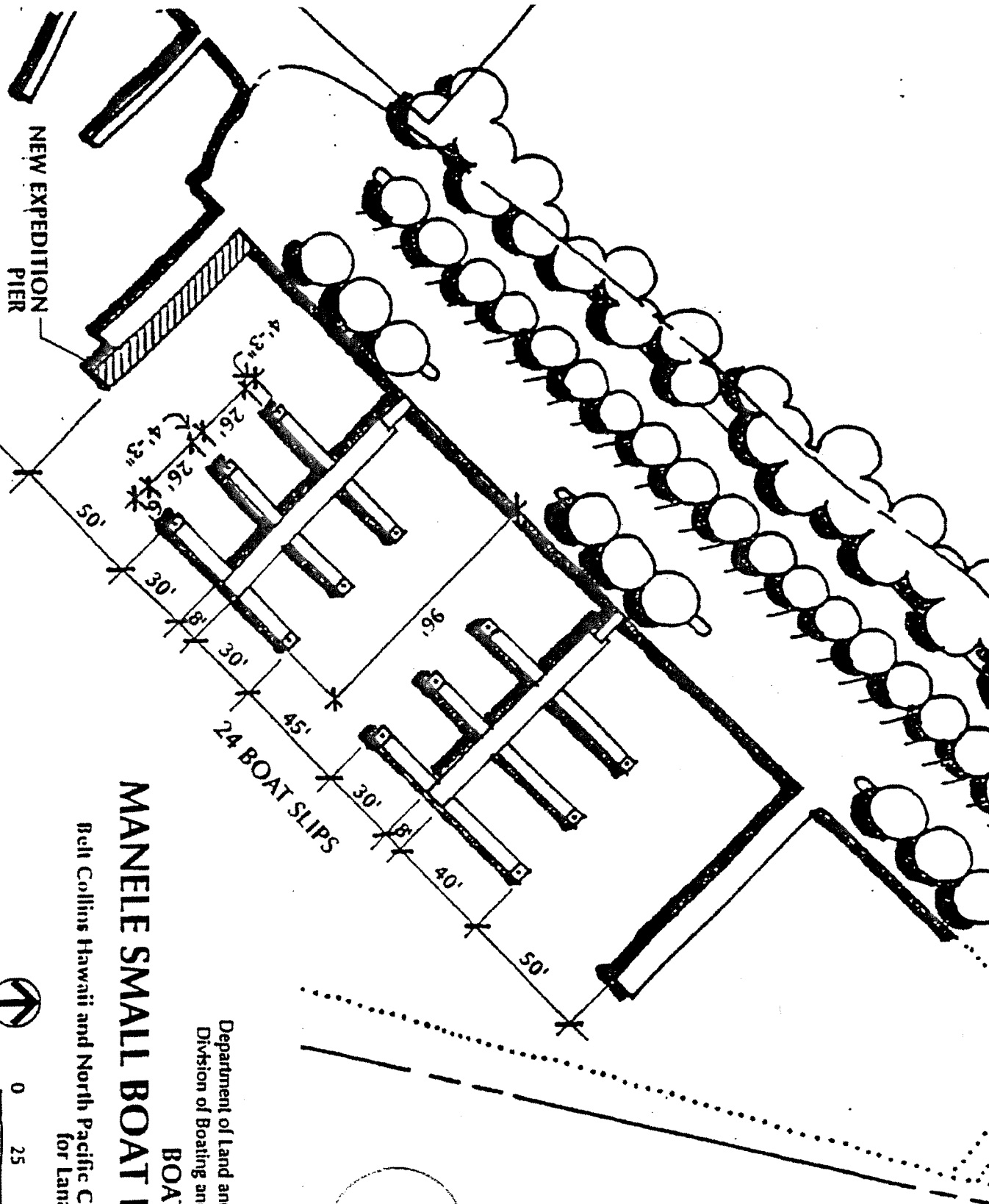
EXHIBIT C / PART 2

PROJECT NO.

SHEET NO.

OF

SHEET



NEW EXPEDITION
PIER

24 BOAT SLIPS

MANELE SMALL BOAT HARBOR BOAT SLIP DETAIL

Belt Collins Hawaii and North Pacific Construction, Inc.
for Lanai Company, Inc.

Department of Land and Natural Resources
Division of Boating and Ocean Recreation



MARCH 1996 NORTH



PRELIM. APPRO'D.
Department of the
Attorney General

EXHIBIT D

ASSIGNMENT OF LEASE EVALUATION POLICY

1. Enabling Statute.

Act 104, effective May 24, 1989, amended Chapter 171-36(a)(5) to read in part:

"...provided further that prior to the approval of any assignment of lease, the board shall have the right to review and approve the consideration to be paid by the assignee and may condition its consent to the assignment of the lease on payment by the lessee of a premium based on the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee;"

2. Qualifying Leases.

This policy shall be applicable to the subject lease.

3. Prior Approval.

Prior to giving its consent to an assignment, DLNR must receive (i) the name, legal composition and address of any proposed assignee, (ii) a complete copy of the purchase agreement and the proposed assignment agreement, including the total consideration to be paid by the assignee for the assignment whether by cash, credit or otherwise, and (iii) the best available financial statement or balance sheet no older than 1 year prior to date of purchase agreement of the proposed assignee or any other such statement, audited or certified as correct by a financial officer of the proposed assignee.

Assignments of lease shall not be entered into until the Attorney General has reviewed the proposed assignment and the Land Board have given the approval. Such assignments shall be entertained only if they meet the criteria set forth in Section 171-36(a)(5), HRS.

4. Qualifications of Assignee.

If qualification was required of a lessee as a pre-condition of the lease, the prospective assignee must also be qualified to assume the lease.

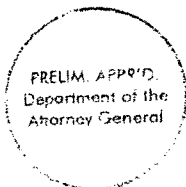


EXHIBIT "E"

5. Consideration to be Paid.

Prior to review by the Attorney General and approval by the Land Board, the lessee (assignor) must present with written evidence of the consideration to be paid by the assignee and any other cost data that the state may require.

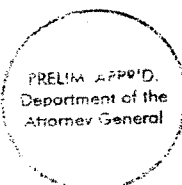
6. Payment of Premium.

The act permits the state to receive from the lessee (assignor) a premium based on the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee. The value of the inventory of merchandise and any other tangible assets in the sale of a business shall be deducted from the consideration paid. The appropriate cost index is then applied to determine the adjusted depreciated cost.

All lessees shall be required to furnish the state with the actual costs of construction of all improvements and renovations within 30 days after its completion as well as the purchase costs of all trade fixtures acquired for the lessee's operation on the premises within 30 days after their purchase. Lessees shall be required to furnish evidence of the actual costs by copy of the construction contract, receipts or otherwise. Lessees shall also be required to furnish an inventory of all personal property placed on the premises. Records of all costs incurred by the lessee for construction of improvements or renovations as well as trade fixtures submitted by the lessee shall be maintained in the lease file and shall include the Construction Cost Index for Apartments, Hotels, Office Buildings (CCI) and the Honolulu Consumer Price Index for All Urban Consumers (CPI) as published by the U.S. Department of Labor, Bureau of Labor Statistics for the year construction is completed.

The replacement cost for improvements or renovations is calculated by using the CCI for the evaluation year divided by the CCI for the year in which the improvements or renovations were completed (base year). The result is then multiplied by the original cost of the improvements or renovations. For trade fixtures, the cost is similarly calculated by using the CPI for the purchase year (base year) and the evaluation year.

Depreciation of improvements and trade fixtures will be determined on a straight line basis. Depreciation of



improvements or renovations will be determined in the same proportion that the expired term of the improvements or renovations bear to the whole term. The whole term will be from the date the construction of the improvements or renovations are completed until the termination date of the lease. Depreciation of trade fixtures will be determined in the same manner, except that the whole term will be the anticipated life of the trade fixture.

The premium will be a maximum of 50% of the excess. The percentage will decrease by 5% after every 5 years of the term has elapsed in accordance with Schedule C. The sliding scale will encourage long-term occupancy and prevent speculation as well as recognize the investment, effort, and risk of the lessee.

In cases where the lessee is unable to furnish DLNR with evidence of the actual cost of construction of improvements because the lessee has performed the work itself, the lessee shall have the option of paying for an appraiser, to be selected by DLNR, to determine what the improvements would have cost if the labor had been performed by a third party rather than the lessee. The lessee shall exercise its option by giving written notice of its exercise to the lessor within thirty (30) days after completion of construction of the improvements. If the lessee fails to exercise its option within this period, the lessor shall have the right to determine the cost of the improvements.

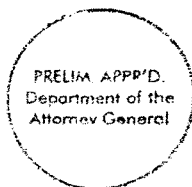
Schedule D attached provides a typical example of the evaluation calculations using Schedule A to calculate the replacement cost for improvements or renovations and depreciation, Schedule B to calculate the cost and depreciation for trade fixtures, and Schedule C to obtain the premium percentage.

7. Non-qualifying Deductions.

The statute only recognizes tangible items. Intangibles such as "goodwill", business name recognition, etc., are not deductible.

8. Subsequent Assignments.

If the consideration for any subsequent assignment includes the purchase of existing tenant-owned improvements, the evaluation will be conducted in a similar manner as the first assignment. An example is shown on Schedule E.



Using Schedule E, the consideration the assignor paid less included inventory and any premiums will be used to obtain the adjusted depreciated cost of improvements and trade fixtures. Also, the Base Year is redefined to be the date the assignor received the Consent of the Board to occupy the premises. The holding period (redefined Base Year to assignment date), or actual occupancy of the assignor, is used in place of the "expired term" when calculating depreciation. Depreciation will be calculated by dividing the holding period by the whole term of the lease (the whole term will remain unchanged).

The change in the CCI will be reflected by comparing the CCI for the redefined base year to the most current CCI.

The holding period will be the basis for determining the appropriate premium percentage. Subtracting the included inventory and any premiums from the consideration the assignor paid will result in a reassessment of the market value of the improvements. If additional improvements were constructed by the assignor, they will be treated in the same manner as improvements constructed by an original lessee.

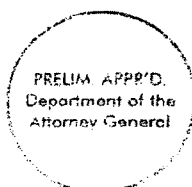
The excess of subtracting the adjusted depreciated consideration the assignor paid and the adjusted depreciated cost of additional improvements, if any, from the consideration the assignor received will be used against the appropriate premium percentage to determine the amount payable to the state.

9. Rights of Holders of Security Interest-Agricultural Leases only.

In the event of foreclosure or sale, the premium, if any, shall be assessed only after the encumbrances of record and any other advances made by the holder of a security interest are paid.

10. When state-owned improvements are included in the leased premises, improvement renovation requirements shall be recognized as being tenant-owned improvements for evaluation in the policy.

In other words, the total expenditure of the lessee to fulfill the requirement would be treated as though a new improvement was constructed.



SCHEDULE A. Adjusted Depreciated Cost of Improvements or Renovations

1. Adjusted Cost of Improvements or Renovations

Multiply the actual cost of the improvements or renovations by the most recent U.S. Construction Cost Index for Apartments, Hotels, Office Buildings (CCI)* and divide the result by the CCI of the year construction was completed (base year) to get the adjusted cost of improvements or renovations.

2. Depreciation

Determine the depreciation percentage on a straight-line basis by dividing the expired term of the improvements or renovations by the whole term of the improvements or renovations, the whole term beginning on the date the improvements or renovations are completed to the expiration date of the lease. Multiply the adjusted cost of the improvements or renovations by the depreciation percentage to determine the depreciation.

3. Depreciated Cost of Improvements or Renovations

Subtract the depreciation from the adjusted cost of improvements or renovations. The balance is the depreciated cost of improvements or renovations.

*As published by the U.S. Department of Labor, Bureau of Labor Statistics

Example

	Actual cost:	\$500,000
	CCI (most recent):	121.1
	CCI (base year):	102.3
1. Adjusted Cost of Improvements or Renovations	Expired term:	57 mos.
	Whole term:	408 mos.

$$\text{Actual Cost} \times \frac{\text{CCI (most recent)}}{\text{CCI (base year)}}$$

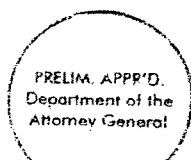
$$\$500,000 \times \frac{121.1}{102.3} = \$591,887$$

2. Depreciation

$$\$591,887 \times \frac{57 \text{ mos.}}{408 \text{ mos.}} = \$82,690$$

3. Adjusted Depreciated Cost of Improvements or Renovations

$$\$591,887 - \$82,690 = \$509,197$$



SCHEDULE B. Adjusted Depreciated Cost of Trade Fixtures

1. Adjusted Cost of Trade Fixture

Multiply the actual cost of the trade fixture by the most recent Honolulu Consumer Price Index for All Urban Consumers (CPI)* and divide the result by the CPI of the year in which the purchase was made (base year).

2. Depreciation

Determine the depreciation percentage on a straight-line basis by dividing the expired term of the trade fixture by its anticipated life. Multiply the adjusted cost of the trade fixture by the depreciation percentage to determine the depreciation.

3. Depreciated Cost of Trade Fixtures

Subtract the depreciation from the adjusted cost of the trade fixture. The balance is the depreciated cost of the trade fixture.

*As published by the U.S. Department of Labor, Bureau of Labor Statistics

Example

Refrigerator

1. Adjusted Cost of Trade Fixture

Actual Cost:	\$1,510
CPI (most recent):	118.1
CPI (base year):	104.6
Expired term:	57 mos.
Whole term:	96 mos.
(Anticipated life)	

Actual Cost X $\frac{\text{CPI (most recent)}}{\text{CPI (base year)}}$

$$\$1,510 \times \frac{118.1}{104.6} = \$1,705$$

2. Depreciation

$$\$1,705 \times \frac{57 \text{ mos.}}{96 \text{ mos.}} = \$1,012$$

3. Adjusted Depreciated Cost of Trade Fixture

$$\$1,705 - \$1,012 = \$693$$

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Department of the
Attorney General

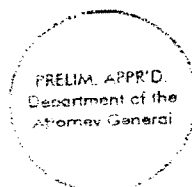
SCHEDULE C. Premium Percentages

1. For the first 5 years, the premium is 50% of the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee. The percentage will decrease by 5% after every 5 years of the total term has elapsed.

<u>Years</u>	<u>Percentage</u>
1 - 5	50%
6 - 10	45%
11 - 15	40%
16 - 20	35%
21 - 25	30%
26 - 30	25%
31 - 35	20%
36 - 40	15%
41 - 45	10%
46 - 50	5%
51 -	0%

As an example, if a 55-year lease was assigned after 57 months, the premium percentage would be 50%. If the assignment occurs after 130 months (10+ years), the percentage would be 40%.

2. The Board of Land and Natural Resources may impose a ten percent (10%) surcharge if the assignor has not performed lease covenants to improve or use the property.



SCHEDULE D. Assignment of Lease Calculations

1. Subtract from the consideration for the assignment amount, if any, that is attributable to inventory.
2. Calculate the Adjusted Depreciated Cost of Improvements or Renovations (see Schedule A).
3. Calculate the Adjusted Depreciated Cost of Trade Fixtures (see Schedule B).
4. Calculate the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee by subtracting the amounts derived by no. 2 and no. 3 from the amount in no. 1 above.
5. Determine the appropriate premium percentage (see Schedule C). Multiply by the excess, if any, derived by no. 4.

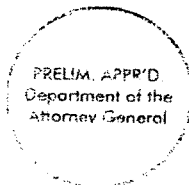
Example

A lease is being assigned 57 months after completion of the improvements at a consideration of \$600,000.

The initial cost of the improvements was \$500,000 while the current year CCI and base year CCI were 121.1 and 102.3, respectively. The whole term for the improvements is 408 months.

For the trade fixtures, the initial cost was \$1,510 with the current year CPI and base year CPI being 118.1 and 104.6, respectively. The total life expectancy is 96 months.

1. Net Consideration:		\$600,000
2. Adj Cost Imp/Ren:	\$591,887	
Depreciation:	<u>- 82,690</u>	
Adj Dep Cost Imp/Ren:		- 509,197
3. Adj Cost Trade Fixtures:	1,705	
Depreciation:	<u>- 1,012</u>	
Adj Dep Cost Trade Fixtures:		- 693
4. Excess:		\$ 90,110
5. Premium:	Percentage: 50%	\$ 45,055



SCHEDULE E. Subsequent Assignment of Lease Calculations

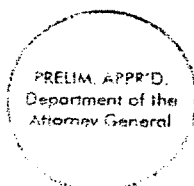
1. Subtract from the consideration the assignor received for the assignment that amount, if any, that is attributable to inventory to derive the net consideration received.
2. Subtract from the consideration the assignor previously paid for the assignment that amount, if any, that was attributable to inventory. Also, subtract from the consideration the assignor previously paid for the assignment that amount, if any, that was attributable to premiums. The net consideration paid is now defined to be the value of improvements as of the date of the occupancy by the assignor.
3. Using the result from no. 2, calculate the Adjusted Depreciated Value of Improvements or Renovations (see Schedule A).
4. Subtract the amount derived by no. 3 from the amount in no. 1 to determine the amount by which the consideration received for the assignment, whether by cash, credit, or otherwise, exceeds the adjusted depreciated value of improvements being transferred to the assignee.
5. Determine the appropriate premium percentage (see Schedule C). Multiply by the excess, if any, derived by no. 4.

Example

An assignor is assigning a lease 107 months after receiving the consent of the Board. Occupancy or the holding period is defined to be 107 months. The consideration received is \$1,000,000.

The consideration paid by the assignor was \$600,000 while the current year CCI and redefined base year CCI were 156.4 and 121.1, respectively. The whole term was 408 months.

No inventory was included in either consideration. However, a premium of \$45,055 was paid to the state by the previous occupant from the \$600,000 consideration.



1.	Net Consideration <u>Received</u> :		\$1,000,000
2.	Consideration <u>Paid</u> :	\$600,000	
	Premium:	<u>- 45,055</u>	
	Net Consideration <u>Paid</u> :		\$554,945
3.	Adj Value Consideration (improvements:		
	\$554,945 X $\frac{156.4}{121.1}$	=	\$716,708
	Depreciation:		
	\$716,708 X $\frac{107 \text{ mos.}}{408 \text{ mos.}}$	=	<u>-187,960</u>
	Adj Dep Value Consideration:		- <u>528,748</u>
4.	Excess:		\$ 471,252
5.	Premium:	Percentage: 45%	<u>\$ 212,063</u>

